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C O N F I D E N T I A L JERUSALEM 003238

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NEA FOR FRONT OFFICE; NEA/IPA FOR WILLIAMS/WATERS/WAECHTER;
NSC FOR ABRAMS/DORAN/LOGERFO; TREASURY FOR
SZUBIN/LOEFFLER/NUGENT/ADKINS; BRUSSELS FOR LERNER; PLEASE
PASS TO USAID FOR KUNDER/MCCLOUD/BORODIN

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SUBJECT: ABU MAZEN DISBURSES PAYMENTS; TEMPORARY
INTERNATIONAL MECHANISM DISBURSES TEST PAYMENT TO HEALTH
SECTOR WORKERS

Classified By: Consul General Jake Walles, Reasons 1.4 (b) and (d).

¶1. (C) Summary: The Office of PA President Abbas (Abu Mazen) began disbursing USD 91 million in payments to suppliers, PA employees and pensioners, social hardship cases, and the unemployed on July 23. According to the President's Office, payments were not disbursed to PLC members, PA ministers, or the families of martyrs or detainees. Separately, the European Union-led Temporary International Mechanism disbursed allowances to health sector employees at the PA's Ramallah Hospital on July 27 as a test of their disbursement process. According to the head of the TIM implementation unit, the Europeans do not consider previous PA disbursement of partial salaries or Abu Mazen's disbursement of allowances as obviating the needs of the PA health sector workers. End summary.

Abu Mazen's office disburses payments

¶2. (C) The PA President's Office began disbursing USD 91 million (from the USD 46 million transfer from the Arab League and the USD 45 million transfer from Kuwait) in payments to suppliers and to PA employees, PA pensioners, social hardship cases, and the unemployed on July 23, according to Presidential Economic Advisor Mohammed Mustafa. No payments were disbursed to PLC members (including those who are also PA ministers) or to the families of martyrs and detainees, Presidential Chief of Staff Rafiq Hussein told the Consul General July 27. While seven PA ministers, who are not PLC members, did mistakenly receive payments, Hussein confirmed that the money had been recalled. (Note: ConGen requested that the Office of the President send a letter to the USG confirming this. End note.)

¶3. (C) (Note: Mustafa told EconChief July 27 that Prime Minister Haniyeh did not receive a payment since he is a PLC member. He speculated that the PA Finance Ministry may have made payments from its own revenues to those who did not receive allowances from the Presidency. There have been press reports of Haniyeh donating the equivalent of 50 percent of his PA salary to the family of a girl killed by an IDF air strike in Beit Lahia. End note.)

¶4. (C) Mustafa told EconChief July 25 that PA employees and PA pensioners were paid according to the following scale:
-- those earning less than NIS 1400, received 100 percent of

a one-month salary/pension;
-- those earning between NIS 1401 and 2800, received NIS 1400; and
-- those earning over NIS 2800, received 50 percent of their salary/pension.

The President's Office also disbursed the following payments:
(1) NIS 160 each to 40,200 social hardship cases from the list maintained by the Ministry of Social Affairs and (2) NIS 1000 each to 3,748 unemployed individuals.

¶5. (C) According to USAID Gaza-based field staff, the President's Office reportedly also provided the Municipalities Union of Gaza with NIS 4 million to cover partial payment of salaries for municipal employees in Gaza. (Note: Municipalities employees had not previously been paid even partial salaries in four months. End note.) Rafah municipality employees, who had been striking over non-payment of salaries, ended their strike, according to USAID Gaza-based staff, after partial salaries were paid.

TIM disburses first payments
to health sector workers

¶6. (C) Johannes Duynhouwer, the head of the unit implementing the Temporary International Mechanism (TIM), told EconChief July 28 that the TIM had launched a first payment of allowances to health sector workers, specifically 294 employees at the PA-run Ramallah Hospital, mainly doctors and nurses. He said they are evaluating the test and are continuing to identify other candidates. He said that they still consider these payments "needs-based" since the workers have not received a full salary for four months. He did not think the PA's previous partial payment of salaries or Abu Mazen's payment of allowances (detailed above) was sufficient

to obviate those needs.

Comment

¶7. (C) While Abu Mazen and his staff have been careful in conversations with USG officials to refer to payments to PA employees as "basic needs allowances" rather than "salaries," we consider this a distinction without a difference. We have consistently expressed concern about this approach, most notably in Assistant Secretary Welch's July 14 meeting with Abu Mazen. Nevertheless, Abu Mazen felt he had to proceed, as he indicated to Assistant Secretary Welch, out of "a duty to take care of the Palestinian people." End comment.
WALLES